

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 OPIC-03 /096 W

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R 111826Z MAR 76 CORRECTED COPY FOR MCN

FM AMEMBASSY ROME

TO SECSTATE WASHDC 6308

INFO DIA

USMISSION NATO

USCINCEUR VAIHINGEN GERMANY

USMISSION EC BRUSSELS

AMCONGEN MILAN

AMCONGEN NAPLES

USDOCOSOUTH FOR INTAF

C O N F I D E N T I A L ROME 4036

E.O. 11652: GDS

TAGS: ETRD, PINT, IT

SUBJECT: POLITICAL IMPACT OF US PROTECTIONIST MEASURES AGAINST  
ITALIAN SHOES; THE OECD "SAFETY NET"

REF: ROME 3949 (NOTAL)

1. THE PRESENT POLITICAL SITUATION IN ITALY AND THE PROBABILITY  
THAT THERE WILL BE CRUCIAL PARLIAMENTARY ELECTIONS AT SOME TIME  
DURING THE CURRENT YEAR, SHOULD REQUIRE US TO LOOK CAREFULLY  
AT ANY USG ACTION THAT WOULD SERIOUSLY IMPACT ON THE CHRISTIAN  
DEMOCRATS' ELECTORAL SUPPORT. FROM THIS POINT OF VIEW, WE WISH  
TO CALL ATTENTION TO THE QUESTION OF POSSIBLE US IMPORT  
RESTRICTIONS AGAINST ITALIAN FOOTWEAR WHICH ARE CURRENTLY UNDER  
CONSIDERATION WITHIN THE USG. THIRTY PERCENT OF ITALY'S FOOT-  
WEAR EXPORTS GO TO THE US AT A VALUE OF \$290 MILLION. ITALY'S  
FOOTWEAR INDUSTRY EMPLOYS 92,000 PEOPLE, MOST OF THEM IS AREAS  
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WHERE THE CHRISTIAN DEMOCRATIC PARTY IS TRADITIONALLY STRONG

(VENETO, MARCHE, CALABRIA, CAMPANIA). A SHARP REDUCTION IN EMPLOYMENT IN THOSE AREAS WOULD IMPACT ON THE DC VOTE; THE FACT THAT SUCH AN IMPACT WAS PRODUCED BY A USG ACTION WOULD PROVIDE THE KIND OF SIGNAL THAT WE HAVE BEEN TRYING TO AVOID. FOR THESE REASONS, WE BELIEVE IT ESSENTIAL THAT THE US NOT RPT NOT IMPOSE A TARIFF INCREASE ON ITALIAN SHOES.

2. ACTION REQUESTED: THAT THE DEPARTMENT TAKE STEPS TO ASSURE THAT THIS TARIFF IS NOT INCREASED.

3. IN ADDITION TO THE FOREGOING AND FOR THE SAME BROAD POLITICAL REASONS, THE DEPARTMENT SHOJLD CONSIDER URGING OTHER COUNTRIES TO RATIFY THE OECD FINANCIAL SUPPORT FUND. ITALY IS FACING A SERIOUS PROBLEM IN THE MANAGEMENT OF ITS MEDIUM TERM FOREIGN DEBT. THE EXISTENCE AND AVAILABILITY OF THE "SAFETY NET" (WHICH COULD PROVIDE INITIALLY UP TO \$1.6 BILLION IN ITALY) WOULD PROVIDE THE KIND OF PSYCHOLOGICAL REASSURANCE AND SECURITY THAT THE ITALIAN GOVERNMENT BADLY NEEDS. THIS WAS SHOWN ALL TOO CLEARLY BY THE GREAT ATTENTION GIVEN TO SECRETARY SIMON'S REMARKS ON THE SUBJECT OF POTENTIAL FINANCIAL ASSISTANCE TO ITALY. VOLPE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TARIFFS, SHOES, EXPORT CONTROLS, POLITICAL SITUATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 MAR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976ROME04036  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 76 ROME 3949  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 31 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <31 MAR 2004 by MartinML>; APPROVED <29 JUL 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** POLITICAL IMPACT OF US PROTECTIONIST MEASURES AGAINST ITALIAN SHOES; THE OECD "SAFETY NET"  
**TAGS:** ETRD, PINT, IT  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006